REPORT

DATE: July 31, 2003

TO: The Regional Council

FROM: Mark Pisano, Executive Director
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SUBJECT: **Operation Jump-Start**

EXECUTIVE DIRECTOR'S APPROVAL

RECOMMENDED ACTIONS:
- Initiate Operation Jump-Start as a Regional Council Leadership Initiative for 2003/2004
- Direct staff to perform outreach and seek stakeholder involvement in Operation Jump-Start
- Initiate a comprehensive legislative strategy

SUMMARY:
At the June 2003 Regional Council Retreat, staff presented a transportation infrastructure initiative that has been developed in response to the economic challenges identified in the 2003 State of the Region Report. This initiative, dubbed "Operation Jump-Start," is an innovative public/private economic stimulus plan that encourages regional economic revitalization though the acceleration of several projects and principles already endorsed by the Regional Council. Specifically, the program seeks to accelerate a series of road and rail improvements through the implementation of innovative financing mechanisms, all of which are contained in the adopted 2001 Regional Transportation Plan (RTP).

If implemented, Operation Jump-Start would create upwards of 375,000 high-paying jobs within six years, resulting in the infusion of over $26 billion into the regional economy. In addition to raising the region's per capita income, the program has the potential of reducing the current two-year state budget deficit by more than 26%. Most importantly, however, Operation Jump-Start will preserve Southern California's position as world leader in international trade.

If pursued, Operation Jump-Start would require the successful enactment of several statutory and administrative actions, including the establishment of an institutional authority for project implementation and management, the establishment of innovative financing mechanisms, and the acceleration of state and federal environmental review.

BACKGROUND
Operation Jump-Start is a response to the 2002 State of the Region Report, which illustrated considerable economic decline within the region. Specifically, the report highlighted several disturbing trends in the regional economy, including:

- Traffic congestion is worsening. Since 1990, the region has consistently ranked as the most congested metro region in the nation.

- The halt of regional employment growth. The region's job growth rate in the past decade was only half that of the state as a whole, and total employment actually declined in 2002.

- The fact that the region's unemployment rate throughout most of that period was higher than the nation's unemployment rate.

- Income growth is not keeping pace with population. Since 1987, the region's ranking in terms of per capita income among the 17 largest metro regions has dropped from 4th place to 16th place.

- Poverty is spreading. The region has the highest poverty rate among the 9 largest metro regions in the U.S. In 1999, 1 out of every 5 children under 18 was in poverty.

A recently published study by the Center on Urban and Metropolitan Policy at the Brookings Institution (May 2003) reinforces the poverty findings of SCAG's State of the Region Report. The report, "Stunning Progress, Hidden Problems: The Dramatic Decline of Concentrated Poverty in the 1990s," documents the decline in the number of high poverty neighborhoods as well as the population in those neighborhoods in the U.S. as a whole between 1990 and 2000. By contrast, the report found that the concentration of poverty in the SCAG region actually increased significantly during this period. For example:

- For the nation as a whole, the number of people living in high-poverty neighborhoods—neighborhoods in which the poverty rate is 40 percent or higher--declined by a dramatic 24 percent, or 2.5 million people, in the 1990s.

- However, for the SCAG region, where data is available for five major metropolitan areas, the number of people living in high-poverty neighborhoods more than doubled between 1990 and 2000, jumping by over 350,000.

- The number of high-poverty neighborhoods in the SCAG region (as measured by census tracts) also showed a dramatic increase. In 1990 there were 63 census tracts (290,284 people) in the five metro areas with high concentrations of poverty; by 2000, the number of such tracts had risen to 157 (644,191 people).

- Among the top 15 metro areas in the U.S. where poverty concentration showed the greatest increase between 1990 and 2010, Los Angeles County is at the top of the list, while the Riverside/San Bernardino MSA ranks third (following Fresno, CA).

ADDRESSES THE REGION'S ECONOMIC DILEMMAS

- Twenty-six billion dollars of investment in transportation infrastructure will add almost 370,000 jobs to the region's employment base, or 62,000 jobs per year, during the next 6 years. This is an improvement of over 50% in the amount of job creation that is currently taking place annually in the SCAG region.

- The jobs that will be created via these investments will be higher-paying than existing average salaries paid per job in the region—by up to 28% higher in some cases. The combination of more jobs and higher wages per job accounts for a total $12.6 billion boost to incomes in the region.

- Raising incomes in the region is critical, not only for its residents but also for the financial health of the state. If SCAG had maintained its 4th place ranking in per capita income, it would be sending $5 billion more in tax dollars to Sacramento per year than it is now. This additional revenue would be enough to reduce California's 2-year $38 billion deficit by more than 26%.

CONSISTENT WITH ADOPTED REGIONAL COUNCIL INITIATIVES

Regional Transportation Plan

The program accelerates a series of road and rail improvements contained in the 2001 Regional Transportation Plan (RTP), specifically:

- Truckways (separate lanes) on freeways used by heavy commercial vehicles including the I-710 from the Ports to the SR-60 east to the I-15 north to Barstow -- a distance of 142 miles.

- Rail Capacity Improvement Projects – Eligible capacity improvement projects along the East-West corridor, including freight railroad infrastructure improvement (tracks, signals, yards, rail-to-rail grade separations, and other freight rail facilities), commuter rail facilities, and grade separations of highway-rail crossings.

- A high-speed Maglev system, starting with the segment from West Los Angeles (10/405) through downtown and east to Ontario, a distance of 43 miles.

Ten-Year Strategic Plan

SCAG's Ten-year Strategic Plan, adopted by the Regional Council on November 7, 2003 identified several goals that are consistent with the program.

- Operation Jump-Start achieves the first goal in the Strategic Plan "Regional Leadership" by identifying and seeking to implement an innovative infrastructure program on a macroeconomic scale.

- The Strategic Plan also calls for the development of sound revenue strategies to finance major regional projects. This program will establish creative financing mechanisms to fund projects including the issuance of revenue bonds, tolls, and other user charges.

TEA-3 Consensus Program

This program does not compete with the Southern California Consensus Program for TEA-3 rather it furthers it. Consistent with Operation Jump-Start, the Consensus Program highlights regional priority projects that strengthen the region's surface transportation system while increasing the productivity of existing investments to the benefit of the regional economy.

- The priority projects and financing principles that are identified in this program are based on the Consensus Program.

- The adopted Consensus Program calls for dedicated truckways, increased capacity along existing rail lines and the pursuit of innovative financing mechanisms that will result in predeployment funding for projects involving, rail, truck lanes, and Maglev.

- Although Operation Jump-Start does not incorporate all of the projects identified in the Consensus Program, it provides the financial mechanisms to fund several of them.

ACTION STEPS

The success of Operation Jump-start is predicated on the enactment of several statutory and administrative actions. Our initial evaluation of the program has identified three core objectives: the creation of an institutional authority for project implementation and management, the establishment of innovative financing mechanisms, and the acceleration of state and federal environmental reviews.

Institutional Arrangements/Management Structure

In order to implement the Truckways and Rail Capacity portions of this program, a Memorandum of Understanding (MOU) between the regions transportation authorities/commissions and SCAG must be adopted, this MOU would be followed by the establishment of an implementing agency. The agency's governing board could consist of an appointed board member from each participating county transportation commission/authority and SCAG. The governing board may have an ex-officio member appointed by the Governor and representative of the United States Department of Transportation. As far as the Maglev component of Operation Jump-Start, a separate Joint-Powers authority is currently under development by the proposed implementing agencies.

Financing Mechanisms

As stipulated in the adopted RTP, innovative approaches would be employed to finance these projects. The approaches would not rely on traditional transportation financing; instead, they would create new revenue backed mechanisms. Once established, the governing authority would be authorized to issue revenue bonds secured by fees, tolls, and other user charges. Potential financing structures of each project include:

Truckways Financing

- Total capital development cost for this project is estimated at $16.5 billion.
- Net revenues generated from tolls would be leveraged to issue tax-exempt revenue bonds.
- Capital financing instruments would include a combination of senior-lien tax-exempt bonds and federal credit enhancement in the form of loans (at 33% total eligible capital cost-TIFIA).
- The tolls are assumed to be imposed at an average rate of $.56 per mile.

Regional Rail Capacity Project Financing

- The total capital development cost for this component of OJS is estimated to be $3.4 billion. This cost is divided into $1.2 billion for capacity improvements and $2.2 billion for grade separations.
- The financial analysis relies upon taking advantage of the interest rate differential between private sector financing costs and tax-credit bonds, a public financing mechanism that would substitute federal tax credits for interest payments.
- Under a tax credit bond-financing structure, the federal government effectively subsidizes the interest portion of the debt through federal income tax credits.
- To cover the total cost for this portion of OJS, an average container fee of $5.39 per TEU would be levied.

Maglev Project Financing

- The cost for this component of OJS is estimated to be $6.2 billion for the initial operating segment (IOS).

- The financing structure for this project relies upon the issuance of tax-exempt revenue bonds and TIFIA loans.
- An average charge of $.30 per passenger mile would be needed to finance the project.

Environmental Streamlining/Accelerated Project Development/Joint EIS
The first major step in implementing any transportation project is a complete environmental review process involving all necessary major permitting and funding agencies.

- In order to satisfy all agencies and permitting requirements the documentation would have to meet both NEPA and CEQA, and would thus be an Environmental Impact Report/Environmental Impact Statement (EIR/EIS).

- The objective is to prepare one environmental document that would cover all three OJS projects. This would be advantageous in analyzing corridor impacts.

- In the best case scenario, an EIR/EIS (or three simultaneous documents) would require about two years to prepare, with 6 months to prepare preliminary engineering and a minimum of a year and a half to complete the environmental document(s).

Legislative Initiative and Outreach Program
Since the unveiling of Operation Jump-Start at the Regional Council retreat in June, staff has had the opportunity to explore the program's concepts with key stakeholders in the Region, Sacramento, and Washington DC.

- In late June and early July, senior staff along with several Regional Council members had the opportunity to discuss the program with the California Trucking Association, the Motor Freight Carriers Association, the American Trucking Association, the Burlington Northern Santa Fe Railway (BNSF), the Union Pacific Corporation (UP), Transportation California, the Professional Engineers in California Government (PECG), the Chief Executives of the county transportation commissions and key state and federal legislators. Although discussions with these interests were preliminary, all the conversations were positive.

- Currently, staff is in the process of coordinating an informational meeting that will include the Chief Executives of the county transportation commissions and both the trucking and railroad stakeholders.

- Also in the works are several meetings that will include the Automobile Club of Southern California, the California Business Transportation and Housing Agency, Caltrans and the California Highway Patrol.

Below is a draft timeline that staff proposes to implement through the summer and fall.

August 2003
- Stakeholder meetings (Regional and Statewide)

September 2003
- Continue stakeholder meetings (Sacramento & Washington D.C.)

- Initiate media and public outreach campaign
- Advocacy trip to Sacramento

October 2003:
- Develop state and federal legislation relating to institutional authority structure and financing mechanisms
- Introduce legislation to stakeholders for discussion and input
- Secure bill endorsement from local, regional, state and federal stakeholders

November 2003:
- Secure state and federal legislators to introduce legislation.
- Regional Economic Conference highlighting Operation Jump-Start

FISCAL IMPACT:
All preliminary work related to adopting the recommended actions is contained within the adopted FY 03/04 budget. At this time, staff does not intend to seek additional funding. Staff will monitor all fiscal impacts of Operation Jump-Start and if necessary, develop appropriate funding strategies. These strategies will be brought before the Regional Council for approval at the appropriate time.

Attachments:

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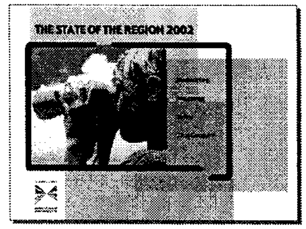
Operation JUMP-START

Reversing Southern California's Economic Decline



Initiated in Response to the State of the Region Report

JUMP-START

Serious Challenges

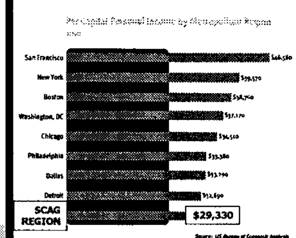
QUALITY OF LIFE

WARNING

Employment	B
Income	C
Housing	D+
Mobility	D
Air Quality	B-
Education	D
Safety	B

SOUTHERN CALIFORNIA ASSOCIATION of GOVERNMENTS

Income



- When compared to the 17 largest metro regions, this region has experienced a steady decline:

1970	4th
1990	7th
2001	16th

SOUTHERN CALIFORNIA ASSOCIATION of GOVERNMENTS

Poverty

Poverty Concentration Changes between 1990 and 2000

	High-Poverty Census Tracts*			Population Change	Concentrated Poverty Rate Change
	1990	2000	Change	Change	Total
New York	279	253	-26	-15,037	-6.4
Chicago	187	114	-73	-177,908	-12.7
Detroit	150	53	-97	-313,217	-25.6
Houston	51	24	-27	-77,662	-10.9
Dallas	36	17	-19	-41,805	-11.6
Philadelphia	70	67	-3	-937	-7.4
St. Louis	39	26	-13	-38,866	-15.3
Pittsburgh	42	26	-16	-26,822	-20.7
SCAG REGION	63	157	+94	+353,907	+5.7

*Census tracts with 40% or higher population in poverty

SOUTHERN CALIFORNIA ASSOCIATION of GOVERNMENTS

Source: The Living Cities Census Series, May 2003, the Brookings Institution

An Economic Recovery Strategy

THE OBJECTIVES

- •Reverse the erosion of regional competitiveness
- •Create jobs now and lay the long term foundation to develop basic industries
- •Improve quality of life through congestion relief and emission reductions

An Economic Recovery Strategy
THE STRATEGY

- Use the energy of trade to develop jobs – high-quality construction, manufacturing and transportation jobs - to raise per capita income
- Accelerate infrastructure investment with privately funded, revenue-backed projects

An Economic Recovery Strategy
THE OUTCOME

The creation of:

[redacted]

62,000 per year, primarily through privately funded transportation infrastructure investment

The injection of over:

[redacted]

User-Supported Regional Truckways System

Regional Rail Capacity Improvement Program

Intra-Regional High Speed Rail Maglev System

Operation JUMP-START

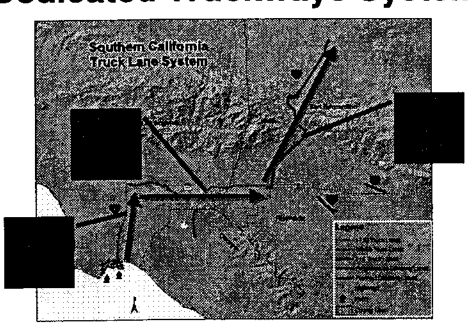
Dedicated Truckways System

PROPOSED SOLUTION

- Construct a dedicated toll truckway system ($16.5B)
- Charge an average toll of $0.56 per mile to cover construction and maintenance costs
- Issue tax-exempt revenue bonds backed by user fees
- Obtain TIFIA loan

JUMP-START

Dedicated Truckways System



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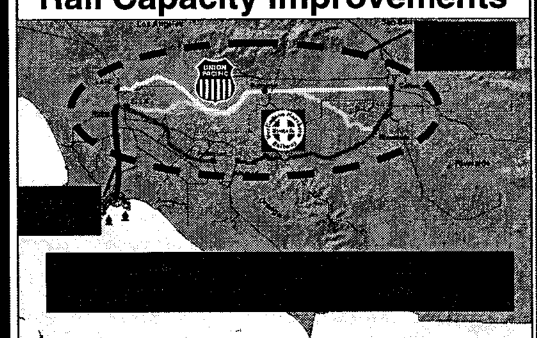
Rail Capacity Improvements



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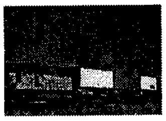
East-West Corridor

PROPOSED SOLUTION

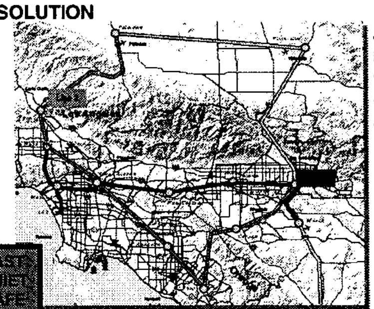


- Charge an average fee of $5.39 per container transiting the corridor to expand capacity
- Take advantage of the interest rate differential between private sector capital costs and tax-credit bonds
- $2.2B for Grade Separation
- $1.2B for Rail Capacity Improvement

JUMP-START

High Speed Maglev System

SOLUTION



- Connecting the Region's Activity Centers & Airports
- 275-mile network
- Initial Operating Segment: West LA to Ontario

JUMP-START

High Speed Maglev System

TOTAL INVESTMENT

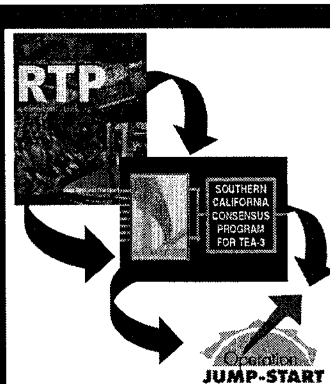
Capital Development Cost for Initial Operating Segment **$6.2 billion**

FINANCING STRUCTURE

Tax Exempt Bonds

TIFIA Loans

JUMP-START



RTP & TEA-3 Consensus Program Consistency

1. Includes projects and principles
2. Does not compete
3. Furthers the goals

JUMP-START

IN SUMMARY

JUMP-START

	Employment	Income In Billions
Truckways	227,040	$7.8
Rail Investment	49,876	$1.7
Maglev - ISO	91,434	$3.1
TOTAL	**368,350**	**$12.6**

	Share of Employment	Average Wage
Imperial	0.3%	112.1%
Los Angeles	33.2%	112.7%
Orange	29.3%	116.3%
Riverside	15.7%	128.3%
San Bernardino	18.4%	125.2%
Ventura	3.2%	119.8%

JUMP-START

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- Raising per capita income is critical
- If the region had maintained its 4th place ranking in per capita income it would:
  - be generating $23 billion this year in personal tax revenues for the state
  - Be sending $5.3 billion dollars more to Sacramento
  - be reducing the budget deficit by 17%

Legislative Initiatives

1. Create an implementing authority to oversee Goods Movement revenue-backed Operation Jump-Start projects and set up JPA for Maglev
2. Introduce legislation allowing longer combination vehicles (LCVs) on dedicated truckways
3. Streamline EIR/EIS process to speed project delivery
4. Access federal funding and loans from an Infrastructure Bank for pre-deployment work

Next Steps

1. Hold a summit with rail and trucking stakeholders and CTCs
2. Meet with transportation stakeholders, including AAA, CHP and BT&H
3. Prepare and introduce enabling legislation
4. Create a business and community support structure
5. Continue advocacy trips to Sacramento and Washington
6. Launch an educational media campaign

Operation
JUMP-START
Reversing Southern California's Economic Decline

Operation JUMP-START

Reversing Southern California's Economic Decline

An Economic Stimulus Package
proposed by
Southern California Association of Governments

Economic Analysis Section
Community and Economic Development
Planning and Policy Department
Southern California Association of Governments (SCAG)

June 2003

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An Economic Stimulus Package Proposed by
Southern California Association of Governments (SCAG)

Summary

Moving forward the implementation and construction of major goods movement projects recommended in the Regional Transportation Plan (RTP) and ensuring timely completion of the Maglev (initial operating segment—IOS), together will inject over $26 billion dollars into the SCAG region economy between 2005 and 2010. This stimulus to the regional economy, primarily through *privately funded* transportation infrastructure investment, will create 370,000 jobs by 2010. Furthermore, it will generate much larger increases in personal income than traditional government spending or taxes cut programs, because jobs associated with transportation infrastructure investment are relatively high paying.

The core strategy of this economic stimulus package is to allow the private sector to establish property rights in transportation infrastructure projects, to invest in those projects and, eventually, to earn decent returns from the investments through user benefits creation and toll collection. Implementing this package will require enabling legislation at both the Federal and State levels to allow and encourage private sector investments in transportation infrastructure.

The Proposal

The key elements of the SCAG proposal to stimulate the regional economy through investment in transportation infrastructure are:

- Total project investment: $26 billion, or $6.4 billion a year.
- Time frame: 2005 to 2010; complete all construction by 2010.
- Creation of 370,000 relatively high-paid jobs in the region over the six-year construction period, an average of 62,000 jobs per year
- Transportation infrastructure investments comprise:
  - Goods movement projects: a user-supported regional truckways system, rail capacity improvements and separation of grade crossings
  - IOS of Maglev—from West Los Angeles to Ontario Airport
- Private sector financing for the bulk of the project costs. Preliminary financial analyses show that these projects are all self-sustainable based on users' benefits and hence their willingness to pay through toll charges.
- Enabling legislation at both the state and federal levels is required to:
  - Authorize public-private partnership arrangements for the purpose of financing a regional toll-based transportation system by: (a) enabling agreements with private entities in support of revenue generating projects like toll facilities, and (b) allowing complete access to the tax-exempt bond

market (tax-exempt private activity bonds for transportation infrastructure development)

- ➢ Enable public/private venture entities to further capitalize on innovative financing provisions in TEA-21, including the TIFIA program.
- ➢ Delineate a legal and regulatory framework for an implementing agency or agencies with specific responsibilities for planning, construction, maintenance, toll collection and enforcement.
- ➢ Permit tax credit bond financing to support rail capacity improvement in Southern California.

Grounds for Action

The Southern California Association of Governments, as the region's planning agency, has many compelling reasons for proposing and promoting this economic stimulus package. Among them:

Current economic status—a recovery without jobs

The most obvious reason for action right now is the state of the national, state and regional economies. While the 2001 recession was relatively mild and short compared with most post-war recessions, the economy continues to lose employment. Job creation is now the number one priority in the intensive debate over a tax cut package to stimulate the national economy.

Like the U.S., the region could adopt its own economic stimulus package to bring itself out of this "jobless" recovery. The employment level in the six-county SCAG region at the end of 2002 was a quarter million less than what SCAG had predicted two years ago. The employment gap between the actual and projected job levels will become even larger, growing to 400,000 jobs by the end of this year.

Major uncertainties in the regional economic outlook

Currently California is trapped with unprecedented budget deficits. No matter what the eventual solution is, it will certainly have a major impact on state and local government employment. Additionally, the region's motion picture industry, an important regional job generator, is vulnerable. It is an integral part of the entertainment industry, which, along with airlines, travel, lodging, amusement, etc., has been detrimentally affected by 9/11 and the war with Iraq. Finally, but not least, the emerging health risks from SARS have caused business in a number of areas in the region to plummet. In parts of the parts of the San Gabriel Valley, for example, the international trade, travel, tourism, and restaurant business has dropped to only half its normal volume. The full impact of SARS is just starting to unfold.

The state of the region: losing ground to other regions in both income and competitiveness

Figure 1 presents two rankings for the SCAG region among all 17 U.S. Consolidated Metropolitan Statistical Areas (CMSA) since 1969. The bars show SCAG region's ranking in terms of per capita income, while the line represents its ranking in average wages per job. In this graph, higher numbers (bar or line) on the left scale denote poorer performance, or a worse ranking.

Figure 1 shows that SCAG region's economic performance was relatively good throughout the 1970s and early 1980s. Since 1987, however, the ranking of the region's per capita income among major U.S. metropolitan areas has shown horrendous deterioration, dropping to 16th place—second to the last place—in four of the past six years. The slippage in the SCAG region's per capita income ranking over the last 13 years has signaled relentless deterioration in the region's relative economic performance and competitiveness.

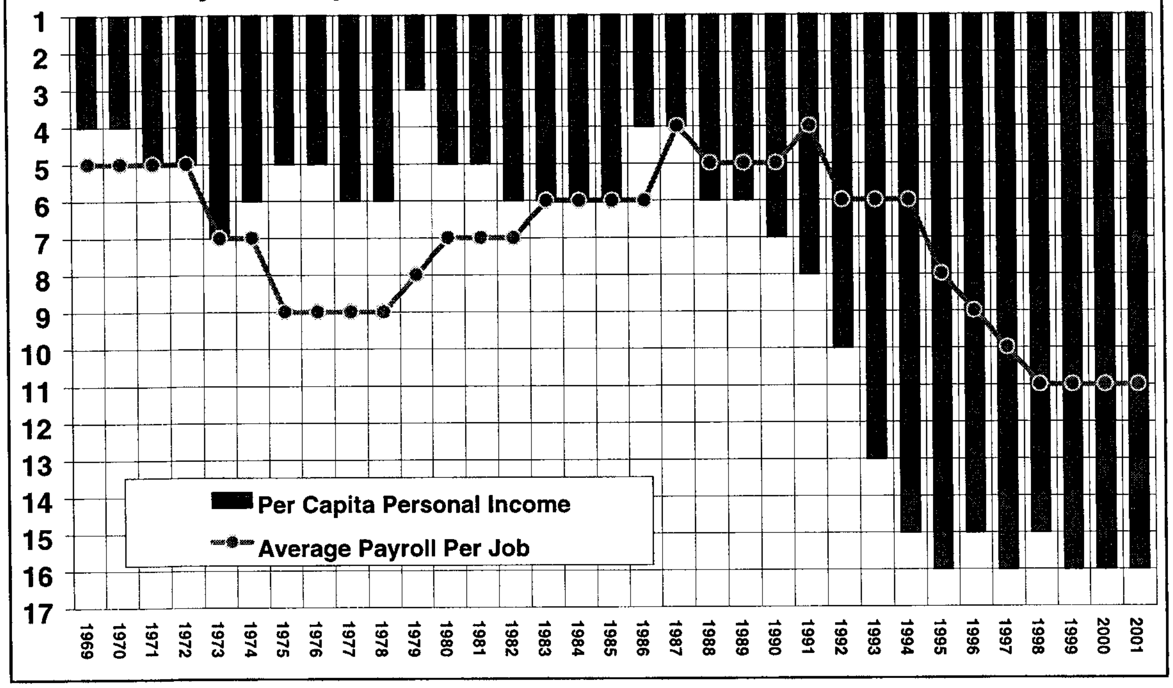
The other measurement, the ranking of SCAG region average wages per job among the same 17 CMSAs followed a pattern similar to that of per capita income. Generally speaking, the SCAG region's performance in terms of average payroll per job has worsened since the late 1980s and early 1990s.

The last recession in Southern California ended almost nine years ago. Since then the region has added over one million jobs (1,000,160 jobs). Nevertheless, the SCAG region has yet to show any sign that it is ready to regain the ground lost to other CMSAs during the recession years. On the contrary, during the last nine years, this region continuously created lower and lower-quality jobs. Pays for these jobs were below average job payrolls in other major metro areas. The declines in the region's competitiveness during the last few years, particularly after the last recession, were more troublesome; not only has the pace of decline been much faster than in the previous quarter century (1969 to 1994), it resulted entirely from the economy and job market side.

Thus, very weak job markets, near term economic negatives and uncertainties, and long term erosion of regional competitiveness all call for immediate actions to stimulate the regional economy. All southern Californians—private businesses, the public sector, and the community at large—have to work in partnership to meet this economic challenge. The region needs an economic stimulus package *now* to:

- Grow jobs
- Grow jobs faster than job growth in other places
- Grow jobs faster than population growth
- Grow high-wage, high-quality jobs
- Lay the long term foundation to develop basic industries

Figure 1 SCAG Region's Rank Among 17 U.S. CMSAs by Per Capita Income and Average Payroll Per Job



Declining SCAG income and the state budget

As everyone in California knows, a $38 billion state budget deficit looms ahead. Since personal income tax receipts account for about 48 percent of state General Fund revenues and since the SCAG region represents roughly half of California's economy, it comes as no surprise that the weakness in the region's income picture is exacerbating Governor Davis' fiscal headache. During the last decade, for example, median household income in the SCAG region actually declined (by more than $1,600) while median household income in both the state as a whole and the nation rose.

A "What if?" scenario: In 1987, SCAG was ranked fourth among the 17 CMSAs in terms of per capita income. In that year, state personal income tax revenues generated by the SCAG region were $6.9 billion, or just over 49 percent of the total income tax take.

If the region had maintained its 4th place ranking in per capita income, it would be generating $23 billion this year in personal tax revenues for the state, or $5.3 billion dollars *more* than it is currently sending to Sacramento. That incremental revenue would be enough to reduce the state's prospective budget deficit by 17 percent!

Action: Privately Funded Transportation Infrastructure Investments

Simply in one sentence, this type of investment is the most effective way to go! The latest U.S. recession, in 2001, was unique in modern history. Unlike most post-war recessions, which resulted generally from the Fed's over tightening of monetary policy, the 2001 recession was caused by a sudden collapse of capital spending (investment). The economics of privately funded transportation infrastructure investment works to benefit the economy in exactly the same way as traditional private sector capital spending does. Through the *multiplier effect*, private investment in transportation infrastructure creates high paying jobs during the investment (construction) phase; as a result of the *accelerator effect*, the benefits (time saving and productivity improvement) will propel the project forward and enable it to become self-sustaining financially.

A privately funded transportation infrastructure investment strategy may face regulatory and institutional barriers. However, unlike other private sector capital investments, the inherent risks are minimal from a marketing perspective. The congestion levels in the region's transportation system are the best evidence of unmet transportation demand and market potential.

The benefits of traditional private sector capital spending are usually limited mostly to the firm or industry in which the investment is made. By contrast, privately funded transportation infrastructure investments will generate very large external benefits. SCAG proposes that a concerted effort should be made to "internalize" these external benefits to the society as a whole, such that returns to private sector capital can be boosted. Following are examples of major external benefits expected from transportation infrastructure investment.

- Increase overall productivity by creating more capacity and reducing system-wide congestion
- Improve quality of life through congestion relief and emission reductions
- Increase health benefits through emission reductions
- Serve the long term regional goal of promoting economic development in the outlying areas

Why Goods Movement and Maglev?

<u>Goods Movement System:</u>

The Southern California region is facing a crisis in freight transportation, characterized by dramatic growth in rail and truck traffic, limited transportation funding, and high infrastructure improvement costs. Projections of long term population and employment growth, along with increases in international and domestic trade volumes, all point to worsening congestion and the potential for "gridlock", an occurrence that would have a serious impact on the economic well being of both the region and the nation.

Projected growth in the volume of goods movements threatens to swamp Southern California's transportation system, causing gridlock situations that will impede the flow of freight and increase the cost of all goods. Without an increase in goods movement infrastructure investments, producers and consumers will have to pay more for goods and services, restricting future levels of economic growth.

By value, Southern California accommodates 30% of the nation's waterborne trade, and 11% of the nation's total international trade. This activity greatly benefits the nation as a whole, while Southern California incurs a disproportionate share of the burden. Contributions to national prosperity should be compensated with national resources.

More investment is urgently needed to maximize railroad capacities through the addition of more tracks and to mitigate congestion through development of grade crossings and grade separation. In addition, Most of the region's freeways and local arterials will be subject to severe delays caused, in part, by mushrooming truck traffic—increasing shipment time and costs and reducing the reliability of motor freight. Trucks are expected to carry the majority of goods traveling less than 800 miles. There is almost no capacity to deal with projected increases in deliveries. The region will be hard pressed to maintain existing levels of service for moving goods, let alone handle the expected growth. Without the ability to move goods efficiently, the vitality and competitiveness of the Southern California economy will be impaired even further.

Southern California's existing transportation system provides for reliable and efficient movement of goods, thereby contributing to the nation's economic prosperity in the form of greater industrial productivity and consumer purchasing power. In 2000, our calculations indicate that the efficient movement of international trade into and through the Southern California region benefited the nation by $452 billion.

<u>IOS of the Maglev System:</u>

The Intra-Regional High Speed Rail Maglev, using magnetic levitation (Maglev) technology, would connect major activity and transportation centers in Los Angeles, Orange, Riverside and San Bernardino Counties. The initial operating segment (IOS) of the system would be comprised of one line connecting West Los Angeles to Ontario and is anticipated to be implemented by the private sector in the year 2010. Without a regional airport in El Toro, the region needs to further decentralize its future growth in air cargo and air passenger traffic to its regional airports in the northern and eastern portions of the region. The Maglev system thus becomes more important and critical to the success of our decentralized regional aviation system.

By 2025, the system would be completed with the three remaining lines, Palmdale to LAX, Palmdale to the Los Angeles Union Passenger Terminal (LAUPT) and LAUPT to Orange County and San Bernardino (see Map 3, p. 17). The Maglev program also envisions longer-term connections to San Diego, a connection between San Bernardino and Palmdale via a high desert alignment and interlining with the proposed California High-Speed Rail System. If the State is successful at adopting a high-speed rail system, SCAG's Regional Council will support the north corridor to Palmdale and the south inland corridor.

When fully deployed, the Intra-Regional Maglev System could serve as the foundation of a 50-year regional surface transportation system that would offer a functional and practical transportation alternative as significant to this Region as the freeway network developed during the last 50 years.

The Maglev Project Description document demonstrates that the Intra-Regional System could be constructed and deployed through a public-private partnership structure administered through a public agency, a joint powers authority (JPA), or a public non-profit (PNP) format using a number of innovative and traditional funding mechanisms. The future of the Maglev effort will depend largely on two factors: private sector interest in financing the system and how the system performs based on SCAG's performance criteria.

The Package and Its Economic Impacts

The regional economic stimulus package consists of three major project categories: *User supported dedicated truck ways, Rail Improvements and Grade Separation, and the IOS of Maglev.* The Maglev project was described in some detail in the previous section. A brief description of the other two project categories is given below, while the economic impacts of all three components are summarized in Table 1.

<u>User-supported dedicated truck ways</u>

Trucks support the region's manufacturing industry and are essential to the intra-regional distribution of consumer goods. Major freeways that could significantly benefit from separate truck facilities include I-710, SR60, and I-15 (see Map 1 on p. 15). Currently these corridors carry high volumes of truck traffic, which contribute to substantial peak hour delay and unsafe traffic conditions related to the interweaving of trucks and automobiles.

The proposed truck ways are assumed to be separate lanes constructed along the outside of the freeway with limited direct access to and from arterials. These truck lanes can serve as a system for moving commercial trucks in a more efficient and less congested manner. Truck lanes will be grade separated from existing freeway ramps to minimize conflict between vehicles. Where sufficient right-of-way is not readily available, new mixed-flow or HOV lanes could be placed on aerial structures so that existing lane space could be utilized for additional truck facilities. The proposal envisions two tolled truck lanes in each direction, which is viewed as the optimal configuration for truck facilities.

The estimated preliminary total cost of the three truck lane projects included in this proposal is $16.5 billion ($2.2 billion for I-710 truck lanes, $4.3 billion for the SR-60 truck lanes, and $10 billion for the I-15 truck lanes).

Rail Improvements and Grade Separation

Regional rail freight movements often conflict with highway commuter and goods movement traffic. With the anticipated increase in port traffic and total train movements of all kinds, substantial additional delay for passenger vehicles and trucks can be expected at grade crossings. To avoid these delays, grade separations carrying arterials under or over rail lines carrying substantial amounts of freight from the ports are recommended along critical routes such as the "East-West Corridor", including the Los Angeles-Orangethorpe-Riverside rail freight corridor (Orange County Gateway). The regional grade crossing improvement program included in this proposal calls for investment of $2.2 billion by 2010 (see Map 2, p. 16).

Complementing the projects to improve grade crossings between Los Angeles and the Inland Empire on the Union Pacific and Burlington Northern-Santa Fe main lines is a proposed expansion of railroad capacity on these lines to enhance the ability to move both passengers and freight with a minimum of delay. These capacity enhancements would make it possible to maintain the competitiveness of the rail mode for long-haul, time-sensitive freight shipments, including marine port and domestic traffic, while simultaneously mitigating environmental impacts on communities traversed by the lines. In fact, since little or no environmental impact assessment would be required under existing law, these rail construction projects could get underway quickly, providing the initial stimulative boost to the economy.

The economic stimulus package calls for $3.4 billion in investments—funded by issuing tax credit bonds—to make these rail facility capacity improvements a reality by 2010. Finally, The 55-mile IOS of the Maglev described earlier will require private sector investments of $6.2 billion.

Economic impacts from stimulus package investments estimated using the IMPLAN[1] model are presented in Table 2. It should be noted that the economic

[1] The SCAG IMPLAN Input-Output Model (Developed by Minnesota IMPLAN Group, Inc.) is a PC-based economic impact assessment modeling system, which can provide a full range of economic impacts through inter-industrial interactions and household activities. IMPLAN allows the user to easily build economic models to estimate all the direct, indirect and induced employment, output and income impacts of economic changes in their states, counties, or communities.

impact estimates shown here include only the construction jobs and wages generated in the SCAG region during the investment phases of the projects contained in the proposed stimulus package. The gains in productivity, improvements in congestion, air quality, health benefits, and other long-term economic benefits attributable to these projects after their completion are not included in our estimates. Moreover, the economic benefits from investments of this magnitude will not be confined to the SCAG region; positive state and national economic impacts will also be generated.

TABLE 1

ECONOMIC STIMULUS THROUGH TRANSPORTATION INVESTMENTS

Goods Movement Projects

I. SCAG Region Dedicated Truckways system

Truck Lanes	Total Investments ($Million)	Length (Miles)	Lane Miles
I-710	$2,166	18	86
SR-60	$4,300	37.8	151.2
I-15	$10,066	86	344
Summary	$16,533	141.8	581.2

II. Rail Capacity Investment	Total Investments ($Million)		
Railroad Infrastructure Investment	$1,200		
Investment in Grade Separations of Highway-Rail Crossings	$2,200		
Summary	$3,400		

The Intra-Regional High Speed Rail Maglev System

Initial Operating Segment (I.O.S.)	Total Investments ($Million)	Length (Miles)	
West Los Angeles -- Ontario	$6,233	55	
Summary	$6,233		
Grand Total ($Million)	**$26,166**		

As indicated in Table 2, the region is expected to gain a total of almost 370,000 jobs between 2005 and 2010 or, an annual average of 62,000 jobs from implementation of these privately funded transportation infrastructure projects. Average wages for those jobs generated by the projects range between 12 and 28 percent higher than existing average salaries paid per job, depending on where the investment is made in the region.

To put these investments and employment impacts into perspective, the current preliminary 2004 RTP Socioeconomic Forecast projects that the SCAG Region will add 120,000 jobs annually during the 2000-2010 period. The additional 370,000 jobs from these private-sector-funded projects will make up for the shortfall between projected and actual levels of jobs by 2004. Equally significant, the transportation investments called for by the stimulus package will basically double the amount of regional transportation funding (traditionally comprising only sales and gasoline taxes) between 2005 and 2010. The investment amount—$4.5 billion per annum—is equivalent to the amount of venture capital investment the region has lost each year since 2000.

TABLE 2

OVERALL ECONOMIC IMPACTS OF THE REGIONAL STIMULUS PACKAGE

	Employment Impacts (Jobs)				Income Impacts ($Million)			
	Direct	Indirect	Induced	Total	Direct	Indirect	Induced	Total
Truckways	123,306	51,824	51,909	227,040	4,424.2	1,999.7	1,333.5	7,757.4
Rail Investment	24,921	13,689	11,265	49,876	923.1	492.0	289.4	1,704.5
Maglev-I.O.S.	45,687	25,096	20,652	91,434	1,692.2	902.0	530.5	3,124.7
Total	193,914	90,609	83,826	368,350	7,039.5	3,393.8	2,153.4	12,586.7

Employment Impacts, Share by County (Percent)		Avg Proj Wages/Existing Avg Salaries (%)	
Imperial	0.3%	Imperial	112.1%
Los Angeles	33.2%	Los Angeles	112.7%
Orange	29.3%	Orange	116.3%
Riverside	15.7%	Riverside	128.3%
San Bernardino	18.4%	San Bernardino	125.2%
Ventura	3.2%	Ventura	119.8%

SOURCE: SCAG IMPLAN INPUT-OUTPUT MODEL

Impact on Average Wages and Per Capita Income

The economic stimulus package described above is designed to address the challenges of a "jobless" recovery, short-term economic uncertainties, and the loss of ground in per capita income and average wages to other major metro areas. The 370,000 jobs with above average wages expected from the stimulus package will address the needed job creation and downside economic risks between now and 2010. However, the package only serves to put the brakes on the secular decline in average wages and per capita income. It has limited ability to reverse these downward trends significantly; i.e., to push the region's rankings back to where they were in the late 1970s and 1980s.

Our simulations on jobs, wages, per capita income, and state taxes indicate that by 2010 the 370,000 high-paying jobs created via the economic stimulus package will have the following impacts:

- Increase the region's average wages per job expressed as a percentage of the 17 CMSA average by 1.2 percentage points, to 91.4% from 90.2% in 2001.
- Improve the region's ranking in average wages among the major metro areas by one place, to 10th place from the 11th place that the region has held since 1998.
- Raise per capita income in the region by about $230, or $920 for a family of four. While this improvement will narrow the per capita income gap with other major metro areas, it will not be large enough to change the region's ranking in per capita income.
- It will take over 20 years and more than 3 <u>million</u> high-paying jobs to noticeably improve the region's rankings in terms of average wages per job and per capita income. Over this time period the average wage per job would be raised by almost $2,900 per year and total wages in the region would be increased by $21.5 billion.

Long-term Perspectives

"Operation Jump-Start" is a short- to medium-term fix. In order to reverse the secular decline in income and competition and address other long-term economic challenges, the region needs a *long-term* approach. "Operation Jump-Start" could serve as one of the major pillars of a long-term regional economic development strategy. Eventually, however, regional competitiveness will require completion of a circle, or ring, of high-speed transportation surrounding the major urban areas in the region and linking its key population centers, airports, and port facilities. As shown in Table 3, the long-term vision of the Regional Transportation Plan is to accomplish this with the Maglev system.

The completion of these projects beyond 2010 and the associated improvements in productivity, quality of life, and congestion reduction will enable the Southern California economy to extend the trends put in motion by "Operation Jump-Start." But transportation, as important as it is to long term mobility, employment, and income creation, is not the only area of investment needed to bring the SCAG region back to its previous high rankings in average wages and per capita income. We will also need to explore other economic development strategies such as support for regional industry clusters, workforce training and development, and investment in communities in need.

Next Steps:

- Complete preliminary financial feasibility analysis for projects described above.
- Define implementation agencies' legal functions and responsibilities
- Market projects to the public/private stakeholders
- Seek legislative support at the regional, state, and federal levels.

- ❖ Revise the goods movement component of the 2004 Regional Transportation Plan and economic development strategy accordingly.
- ❖ Assess and quantify long term economic development benefits to North Los Angeles County, Inland area, and the high desert region.

TABLE 3

Privately Funded Transportation Infrastructure Investment Projects Beyond 2010

Regional Maglev System:	**Capital Costs ($Million)**	**Construction Period**
West Los Angeles to LAX	$1,253	2010-2013
Ontario to March Inland Port	$1,253	2010-2013
LAUPT to Central Orange County	$3,500	2013-2015
LAX to Palmdale Airport	$8,200	2016-2020
LAX to Irvine Ground Transit Center	$7,400	2021-2025
Orange County to San Bernardino	$7,500	2025-2029
San Bernardino/Victorville	n.a.	2030+
Victorville/Palmdale	n.a.	2030+
March Inland Port/San Diego	n.a.	2030+
Sub-Total	$29,107	
Regional Light Rail and Toll Roads		
Metro Greenline to LAX	$168	2010
SR-91 Toll Lanes from SR-241 to SR-71	$225	2020
Orange Toll Corridors	$3,400	2030
Sub-Total	$3,793	